



Utah Education Funding Study

Summary 3: Policy Recommendations

Recommendation 1: Increase the Basic Property Tax Levy to rebalance the defined local share of the Basic School Program and minimize the fiscal impact of system improvements to funding distribution.



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Our recommendations are organized into four broad domains that speak to distinct aspects of the state funding system, and thus to distinct but interconnected opportunities for improvement.

Funding Generation ☒

Funding Distribution

Targeted Programs

Effective Practices

KEY FINDINGS

- Phase 1 findings with respect to equitable access and the role and balance of state and local contributions
- Phase 2
 - ▶ **Finding 2.** Excess capacity in allowable voted and board levies exists at all levels of school district wealth, but the majority of total capacity is highly concentrated in the very wealthiest districts.
 - ▶ **Finding 3.** Although equalization policies are in effect, the impacts of these policies on fiscal neutrality are limited.
 - ▶ **Finding 7.** More equitable state funding systems run the vast majority of all funding through the equitable state formula.
 - ▶ **Finding 9.** When put in comparable terms, state-required tax rates that define the local share are more similar to each other than it might seem, though Utah's is the second lowest.

Intended Effect

An increase in the Basic Property Tax Levy would:

Rebalance the local share to be more comparable to that of other states. Utah already has one of the lowest local shares in the United States under the current levy, and without legislative action, this levy will begin to decrease when the five-year “freeze” on this tax rate enacted in 2018 expires.

Shift more local dollars to the Basic School Program (BSP) formula. This is because (assuming that districts seek to maintain their overall tax rate), as the Basic Property Tax Levy goes up, districts would bring their local levies down; this would concentrate more local revenue in the BSP, a common characteristic of more equitable systems. Moreover, if districts respond to an increase in the Basic Property Tax Levy by lowering their local tax rates, the proposal could result in no net change to their taxes (from a taxpayer’s perspective).

Make available additional state funding, with the local burden predominantly falling on the communities with the means to bear it. In keeping with Utah’s Minimum School Program (MSP) principle of local participation and payment of a reasonable portion of the cost, this outcome is judged by the study team to be most fair, although certainly the extent of this burden is of significance.

Alternative Policy Options

The clearest alternative to this recommendation is a change to some aspect of the local levy programs. Such changes might include:

Increasing the increments of the state funding guarantee for voted and board levies. This may very well also represent an improvement to the system, but it would necessarily require an increase in funding overall or a decrease in funding elsewhere in the MSP. The study team sees an increase to the Basic Property Tax Levy, and allocating newly available state dollars based on resource needs, as a way to realize the same effect without necessitating an increase in state funding.

Change the voted and board levy caps to cap revenue raised instead of tax rate levied. This would ensure that the wealthiest districts (meaning those with the highest assessed valuation per student) are unable to increase the gap in local funds beyond a certain amount per pupil, addressing disparities due to local property wealth, but may be out of step with the MSP principle that local communities be empowered to provide opportunities beyond the minimum program. This is because closing the gap in local funds in this way would require capping districts below local revenues currently raised through these programs thereby limiting the ability for some local communities to raise additional funds.

Detailed Modeling of Possible Implementation

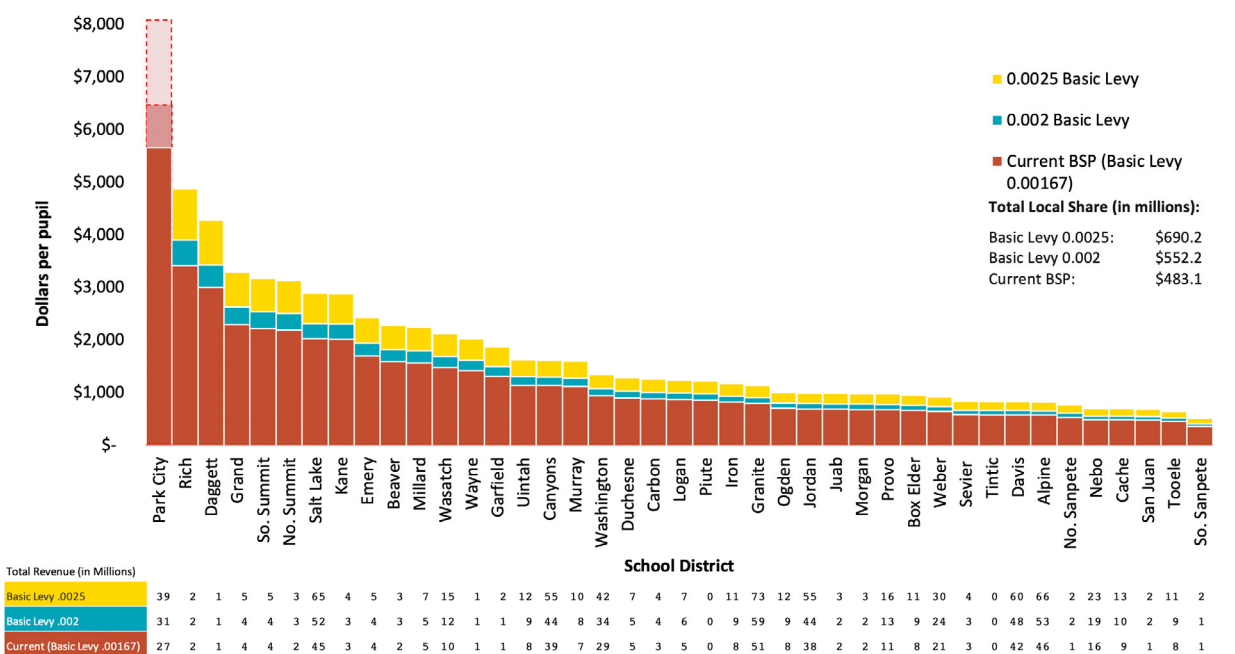
Given that there is no clear ideal local share, the study team is not offering a particular ideal Basic Property Tax Levy. Instead, multiple possible levies are considered and compared to what is more typical across the United States. Specifically, the study team modeled:

A levy of \$0.0025 per dollar of taxable assessed property value (TAV). A 50 percent increase, this would put Utah very close to the median among states taking a similar approach.

A more modest levy of \$0.002 per dollar of TAV is also modeled. The national median may not be right for Utah, and/or a gradual progression toward this benchmark may be necessary. Thus, a more modest option was also modeled.

Assuming no changes to state funding, the difference between what the new Basic Property Tax Levy would raise in local funds and what is raised under the current levy represents the net state funding newly available within the BSP. This amount per pupil is quite small for most districts, even under the largest modeling increase, and the wealthiest districts would contribute the most by far (Exhibit 41). To provide some additional context to these per-pupil dollars, the amounts in total revenue raised under each modeled Basic Property Tax Levy are also included in the table at the bottom of Exhibit 41 of the report.

Exhibit 41. Dollar Amount of Local Share Per-Pupil Under Modeled Basic Levies, by School District



Source: Authors' calculations based upon FY 2018–19 data from the Utah State Tax Commission, Property Tax Division and the USBE.